

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FPC-01 H-02 INR-07
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-15
OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-10 PA-02
PRS-01 CEQ-01 EPA-04 IO-14 NSF-02 LAB-04 SIL-01
/146 W

-----107252 112335Z /14

P 112302Z AUG 77

FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC PRIORITY 4426
INFO AMCONSUL CALGARY
AMCONSUL HALIFAX
AMCONSUL MONTREAL
AMCONSUL QUEBEC
AMCONSUL TORONTO
AMCONSUL VANCOUVER
AMCONSUL WINNIPEG

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PASS WHITE HOUSE FOR SECRETARY SCHLESINGER AND GOLDMAN,
FEA FOR O'LEARY AND FPC

E.O. 11652: N/A

TAGS: ENRG, PGOV, CA

SUBJECT: MEDIA REACTION TO CABINET PIPELINE DECISION

REF: A. TORONTO 2043; B. CALGARY 349; C. VANCOUVER 790

1. SUMMARY. PRESS AND ELECTRONIC MEDIA COVERAGE OF
CABINET DECISION TO NEGOTIATE ALCAN PIPELINE PROJECT WITH
U.S. TREATED IT AS MATTER-OF-FACT, ALMOST FOREGONE
CONCLUSION -- AND ANTICLIMAX AFTER PARLIAMENTARY PIPELINE
DEBATE. MAIN THEME OF COMMENTARY AND REPORTING WAS
CANADA'S NEGOTIATING POSTURE VIS-A-VIS U.S. SIGNIFICANT
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PLAY WAS GIVEN TO WASHINGTON'S CONCERN ABOUT INCREASED
COSTS RESULTING FROM CANADIAN CONDITIONS ON PROJECT
CONSTRUCTION. END SUMMARY.

2. PRIME MINISTER'S ANNOUNCEMENT AFTERNOON AUGUST 8 OF
CABINET DECISION TO NEGOTIATE POSSIBILITY OF CONSTRUCTING
FOOTHILLS-YUKON (ALCAN) PROJECT WITH U.S. PRODUCED RATHER

LOW-KEY MEDIA REACTION. ANNOUNCEMENT WAS TREATED AS ALMOST ANTI-CLIMATIC IN WAKE OF AUGUST 4-5 PARLIAMENTARY DEBATE. TORONTO GLOBE AND MAIL, FOR INSTANCE, PRINTED LEAD STORY ON PM'S STATEMENT ON PAGE ONE OF BUSINESS SECTION WHEREAS DEBATE ITSELF GOT FRONT PAGE COVERAGE.

3. COMMENTARY AND REPORTING ON CABINET DECISION FOCUSED NOT SO MUCH ON MERITS OF DECISION ITSELF BUT ON POSSIBLE NEGOTIATING STRATEGIES, WEIGHING ADVANTAGES AND DISADVANTAGES FOR CANADA IN NEGOTIATIONS. GLOBE AND MAIL ENERGY REPORTER JEFF CARRUTHERS SAID THAT CANADA'S GAS SUPPLY IS ITS "TRUMP CARD" IN PIPELINE TALKS. HE SAID A U.S. DECISION FOR ALCAN WOULD ALMOST CERTAINLY DETERMINE WHETHER CANADA COULD CONTINUE EXPORTING ALBERTA GAS. THUS USG MUST MAKE ITS DECISION IN RELATION TO INCREMENTAL GAS SUPPLY NOT ON BASIS OF ALASKA RESERVES ALONE, BUT ON ALBERTA GAS AS WELL. WITHOUT OVERLAND NORTHERN GAS PIPELINE AND OPTION TO MOVE MACKENZIE DELTA GAS TO SOUTHERN CANADIAN MARKETS, CANADA COULD BE FORCED TO CUT BACK ALBERTA EXPORTS IN ORDER TO PROTECT DOMESTIC MARKETS FROM GAS SHORTFALL AS EARLY AS 1985. GLOBE AND MAIL EDITORIAL COLUMNIST GEOFFREY STEVENS ASKED RHETORICALLY WHETHER CONDITIONS GOC WILL SEEK (DAWSON DIVERSION, 200 MILLION DOLLAR INDIRECT-COST PAYMENTS, DEMANDS FOR NATIVE EMPLOYMENT AND CANADIAN CONTENT) WOULD TILT U.S. AWAY FROM PIPELINE THROUGH CANADA AND TOWARD EL PASO. STEVENS ALSO UNCLASSIFIED

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ASKED WHETHER DOLS 542 MILLION FOR DAWSON DIVERSION IS TOO HIGH A PRICE TO PAY TO KEEP CANADA'S OPTIONS OPEN TO CONNECT MACKENZIE DELTA GAS WITH SOUTHERN CANADIAN MARKETS. SIMILARLY, TORONTO STAR NOTED THAT ALCAN PIPELINE IS GAMBLE FOR CANADA BECAUSE LINK TO MACKENZIE DELTA MIGHT NOT BE BUILT (REPORTED REFTEL A). OTTAWA CITIZEN IN EDITORIAL ENTITLED "GRIT (LIBERAL) FUMBLING TURNS OFF U.S." CATALOGUED HOST OF FACTORS THAT MIGHT TIP U.S. DECISION TOWARD EL PASO, CONCLUDED THAT CANADA IS NOT IN A POSITION TO DICTATE TERMS IN PIPELINE NEGOTIATIONS AND SAID THAT IF CANADA WANTS TO GET ITS OWN ARCTIC GAS TO SOUTHERN MARKETS IT WOULD BE EASIER ON CANADIAN ECONOMY TO DO IT VIA "MOSTLY-U.S.-PAID-FOR PIPELINE." REPORTING GAVE CONSIDERABLE PLAY TO STATEMENT BY INTERIOR SECRETARY ANDRUS THAT CANADIAN DEMANDS COULD MAKE CROSS-CANADA ALCAN PIPELINE UNECONOMICAL BY BOOSTING COST AS MUCH AS DOLS ONE BILLION AND THAT EL PASO IS A "VIABLE CONTENDER" AS FAR AS WASHINGTON IS CONCERNED.

4. A MINOR-KEY MOTIF IN PRESS COMMENTARY IS CONTINUING POST MORTEM ON CANADIAN DECISION PROCESS TO DATE BY SOUTHAM NEWS SERVICE COLUMNISTS CHARLES LYNCH AND JOHN

GRAY WHO ACTIVELY SUPPORTED ARCTIC GAS LINE THROUGH
MACKENZIE VALLEY. LYNCH DEVOTED COLUMN TO LAMENT FOR
NATIVES OF MACKENZIE VALLEY WHOSE FUTURE NOW "CONSISTS OF
A BLEAK WELFARE WALLOW" BECAUSE GOC HAS TURNED DOWN
ARCTIC GAS PROJECT. HE NOTED WITH SOME IRONY THAT BERGER
HEARINGS DID NOT REFLECT TRUE CONSENSUS OF MACKENZIE
VALLEY NATIVES. GRAY SAID THAT DECISION PROCESS ON
NORTHERN PIPELINE IS AMONG THE "LESS COMMENDABLE EXERCISES
IN RECENT CANADIAN HISTORY" AND POINTED UP "DISTRESSING
LESSONS." CHIEF AMONG THESE IS THAT CANADIAN GOVERNMENT
FAILED TO ACCOUNT FOR INTEREST OF NATIVE PEOPLES,
ENVIRONMENTALISTS AND PUBLIC AT LARGE AT AN EARLY STAGE OF
DECISION PROCESS AND THEREFORE COMMITTED ITSELF TO
PLANNING MACKENZIE VALLEY PROJECT WITHOUT ADEQUATE BASE OF
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PUBLIC SUPPORT. RESULT IS THAT, DESPITE EIGHT YEARS OF PLANNING AND STUDY, THE "GREAT PIPELINE DREAM IS BEGINNING TO LOOK LIKE SOMETHING SKETCHED ON THE BACK OF A GRUBBY ENVELOPE."

5. REMAINDER OF PRESS COVERAGE WAS DEVOTED TO REACTION IN THE PROVINCES, CHIEFLY BRITISH COLUMBIA AND ALBERTA (REPORTED REFTELS B AND C).

6. ELECTRONIC MEDIA REPORTING WAS COMPLETE BUT REFLECTED SAME LOW-KEY, STRAIGHT-REPORTING APPROACH EXHIBITED IN PRESS. COMMENT WAS RESTRICTED TO DISCUSSION OF POSSIBLE CANADIAN NEGOTIATING STRATEGIES. ENDERS

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